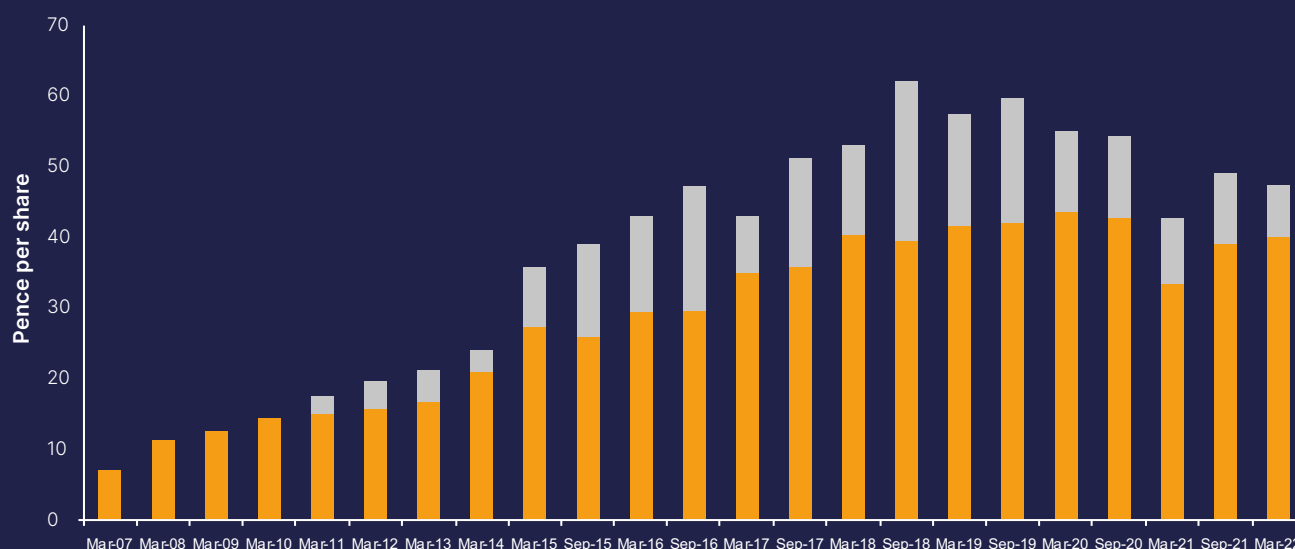


OUR STRATEGY AND MARKETS

THE STRATEGY		OUR STRATEGIC RESPONSES
	Deliver sustainable revenue	<ul style="list-style-type: none"> Establish new funds which will increase the Group's fund management fee income. Invest in properties with sustainable income streams.
	Achieve overall growth with an equal balance between the two operating divisions	<ul style="list-style-type: none"> Establish new funds. Consider sale of directly owned Group Properties.
	Active approach to asset management	<ul style="list-style-type: none"> Drive income and in turn capital values by hands-on property management, relying as much as possible on internal capabilities.
	Remain flexible	<ul style="list-style-type: none"> Thinking from first principles. In-house property teams employed in Poland and the UK.
	Capitalise on market opportunities	<ul style="list-style-type: none"> Maximise and exploit new opportunities arising.

Net Asset Value (NAV) per share

● Book NAV ● EPRA NAV



OUR MARKETS	COMMERCIAL PROPERTY MARKETS OUTLOOK
<h2>United Kingdom</h2>	<p>The UK is forecast to fall into recession. Inflation is running at over 10% per annum. The Bank of England base interest rate is still low at 1.75%, having risen from 0.1% in December 2021. Further increases in interest rates are expected. The yield curve currently flattens out at just under 3%.</p> <p>Investor demand for commercial property polarised during the lockdown induced lows, between those sectors which benefit from online trading and could operate during lockdowns, such as logistics and essential retailers, and other sectors such as offices, hotels and non-essential retailers which depend on physical trading. The disparity in valuations between sectors is still wide.</p> <p>The values of offices have been adversely impacted by changing working habits. However, the supply of offices has also reduced due to conversions to alternative uses and a substantial increase in building costs. Any increase in tenant demand should therefore result in rental growth.</p>
<h2>Poland</h2>	<p>GDP is expected to grow by 4% in 2022. The annual rate of inflation reached 13.9% in May but is expected to moderate to around 6% in 2023. The National Bank of Poland has led interest rate rises in Europe, with its benchmark reference rate now standing at 6.0%. It has also indicated that it is closer to the end of its interest rate raising cycle than the beginning, and that it may start to reverse increases in interest rates by the end of 2023.</p> <p>Investment demand for commercial property has abated but continued economic growth and an influx of refugees and businesses from Ukraine should sustain occupational demand. Meanwhile, the effects of inflation, in particular in the cost of building materials and labour (which far exceeds the general rate of inflation), should curtail new supply forcing rents to rise.</p> <p>Rental values in Poland are contractually mostly linked to Eurozone inflation, which also offers protection from inflation as long as the economy remains buoyant.</p> <p>Prime commercial yields generally range from 5-6% but may soften as interest rates rise.</p>

Dynamic flexible approach as the market changes

- **2005:** Largely exited the UK commercial property market.
- **2008:** Reversed asset management policy of waiting until lease expiry to renew leases following the onset of the credit crunch.
- **2009:** Re-entered the UK commercial property market – we act dynamically.
- **2016:** Varied investment strategy in the UK with respect to offices, to invest for rental growth as opposed to for development due to the effects of permitted development rights (PDR) legislation resulting in diminishing office supply/rising rents.
- **2020:** Entered the COVID pandemic with £23.6 million of cash following the sale of an office building (CH8) in Warsaw, Poland.
- **2022:** Reduced Group debt to £23 million with 57% of the debt either interest free or with a fixed interest rate.

Investment Philosophy

1 Sustainability of income

- When buying for income, sustainability of income is a priority.
- We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.

2 Capital preservation

- Capital is better protected if investments yield a high income.
- Over the long term it is income and not capital value movements which largely determine total returns.

3 A fundamental approach to investing

- Consensus may chase a particular investment theme but that does not justify it.

4 Flexibility in the light of market changes

- Experienced management team with an excellent track record, including in challenging market conditions.

5 An active approach to asset management

- Drive income and in turn capital values by hands-on property management, relying as much as possible on internal expertise. The quality of our people is a crucial factor in our continuing success.